



Canadian Investors: 1 Core Holding for Serious Growth Investors

Description

Compounding your investments at a high rate of return for the long haul is a tried-and-true path to creating lasting wealth. Wouldn't you just love it to have a group of core growth stocks that you can add to opportunistically to propel your prosperity?

Here's one growth stock for starters.

A core growth stock for serious investors

One core growth stock you should have on your radar is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). Its objective is clearly stated on its website: "to generate attractive long-term risk-adjusted returns for the benefit of our clients and shareholders."

Just how does BAM go about doing that?

First, Brookfield Asset Management operates the assets it manages. It has about 150,000 operating employees taking care of and improving the operations of its assets, including newly acquired ones that likely require more of a makeover.

Second, the alternative asset manager has size and scale. Over the years, it has increased its assets under management (AUM) to approximately US\$626 billion, including more than half of which are fee-bearing capital.

Fee-bearing capital represents committed, pledged, or invested capital, in listed affiliates, private funds, and public securities, for which BAM can earn fee revenues. From around the globe, institutional investors, sovereign wealth funds, and retail investors like you and me have invested alongside BAM for solid growth.

Third, BAM is a brilliant value investor. It's careful about the valuation it pays for quality assets. Furthermore, it reviews its existing assets and sells mature ones often for a high rate of return in order to redeploy the proceeds into more attractive investments. Additionally, because of its global reach,

BAM has the flexibility to invest in sectors or geographies that are scarce in capital. This is surely a nice competitive advantage.

High returns

Here's how to get a taste of the top-notch core growth stock.

Based on trailing 12-month numbers, Brookfield Asset Management has elevated its AUM at a compound annual growth rate (CAGR) of 25% in the last five years. Simultaneously, on a per-share basis, its distributable earnings increased at an even higher CAGR of 33%! And, in the same period, its fee-related earnings before performance fees grew at a CAGR of 23%.

Notably, all these key performance metrics witnessed growth even during the pandemic last year, demonstrating the resilience of BAM's overall business. The five-year results also prove that the company is capable of delivering extraordinary growth over the long term.

This is why the growth stock was able to increase its dividend healthily last year. Its five-year dividend-growth rate is 8.8%. The company has a low payout ratio. It could increase its dividend at a higher rate if it wanted to, but instead, it's reinvesting a good portion of its free cash flow back into the business to drive greater long-term growth. Consequently, investors should expect most of their returns to come from price appreciation.

An investment from about five years ago in BAM stock would have returned about 20% per year, which outperformed the U.S. stock market returns. Almost 94% of the annualized return in that period came from price appreciation.

The Foolish investor takeaway

[Brookfield Asset Management](#) is an excellent core growth holding. The stock is slightly undervalued today. So, it could make sense to buy a starter position for those with a long-term investment horizon. Just note that market volatility can occasionally trigger corrections of 10-30% in the growth stock, at which time, it would be an excellent time to add for outsized returns!

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